

**GODFREY-LEE
PUBLIC SCHOOLS
Kent County, Michigan**

Comprehensive Annual Financial Report

For the year ended June 30, 2006

GODFREY-LEE PUBLIC SCHOOLS
Table of Contents

For the year ended June 30, 2006

Financial Section

<i>Independent Auditor's Report</i>	<i>1</i>
<i>Management's Discussion and Analysis</i>	<i>3</i>
<i>Basic Financial Statements</i>	<i>13</i>
District-wide Financial Statements:	
Statement of Net Assets.....	14
Statement of Activities	15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund	20
Fiduciary Fund:	
Statement of Fiduciary Assets and Liabilities	21
Notes to Basic Financial Statements	22
<i>Supplemental Information</i>	
Combining and Individual Fund Statements and Schedules:	
General Fund	39
Comparative Balance Sheet	40
Comparative Schedule of Revenues	41
Comparative Schedule of Expenditures	42

GODFREY-LEE PUBLIC SCHOOLS

Table of Contents (Continued)

For the year ended June 30, 2006

Nonmajor Governmental Funds	53
Combining Balance Sheet.....	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	56
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Food Service Special Revenue Fund.....	58
Athletics Special Revenue Fund.....	59
Special Revenue Funds.....	60
Food Service Special Revenue Fund:	
Comparative Balance Sheet.....	61
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	62
Athletics Special Revenue Fund:	
Comparative Balance Sheet.....	63
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	64
Debt Service Funds.....	65
Combining Balance Sheet.....	66
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	68
Capital Projects Funds	70
Building and Site Capital Projects Fund:	
Comparative Balance Sheet.....	71
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	72
2005 Construction Capital Projects Fund:	
Comparative Balance Sheet.....	73
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	74
Agency Fund.....	75
Student Activities Agency Fund:	
Statement of Changes in Assets and Liabilities	76
Other Information:	
Summary of 2005 Taxes Levied and Collected.....	78

Federal Financial Assistance Programs Supplemental Information Issued Under Separate Cover

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

August 25, 2006

The Board of Education
Godfrey-Lee Public Schools

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Godfrey-Lee Public Schools (the "District") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of Godfrey-Lee Public Schools as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2006 on our consideration of Godfrey-Lee Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Godfrey-Lee Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

As management of the Godfrey-Lee Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base and the condition of school buildings and other facilities.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2006</u>	<u>2005</u>
Assets		
Current assets	\$ 7,808,663	\$ 5,348,560
Net capital assets	<u>17,042,120</u>	<u>15,901,358</u>
Total Assets	<u>24,850,783</u>	<u>21,249,918</u>
Liabilities		
Current liabilities	2,085,512	1,679,889
Long-term liabilities	<u>18,057,766</u>	<u>15,297,514</u>
Total Liabilities	<u>20,143,278</u>	<u>16,977,403</u>
Net Assets		
Invested in capital assets, net of related debt	(886,984)	946,686
Restricted	2,077,063	177,081
Unrestricted	<u>3,517,426</u>	<u>3,148,748</u>
Total Net Assets	<u>\$ 4,707,505</u>	<u>\$ 4,272,515</u>

The results of the fiscal year's operations for the District as a whole are presented in the Statement of Activities, which shows the change in total net assets for the year.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

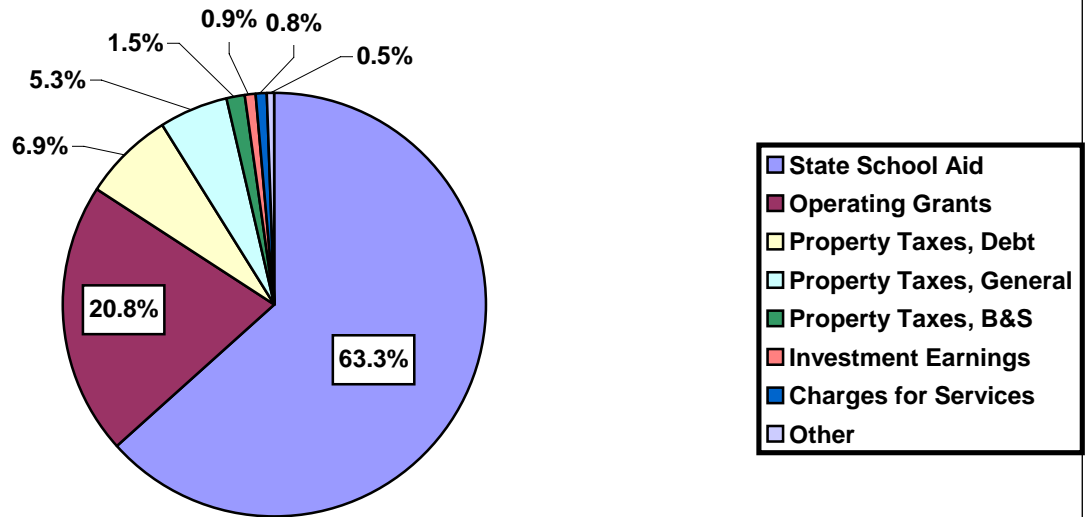
The Statement of Activities presents changes in net assets from operating results:

	<u>2006</u>	<u>2005</u>
Program Revenues		
Charges for services	\$ 142,719	\$ 147,390
Operating grants	3,548,577	3,190,412
General Revenues		
Property taxes	2,333,555	2,290,746
State school aid, unrestricted	10,827,567	10,114,639
Interest earnings	154,811	92,028
Gain on sale of capital assets	1,168	37,587
Other	84,169	50,034
Total Revenues	<u>17,092,566</u>	<u>15,922,836</u>
Expenses		
Instruction	9,911,858	9,367,904
Supporting services	5,013,503	4,628,109
Community services	64,041	19,078
Food service	605,802	605,285
Athletics	288,650	258,231
Other	62,056	16,638
Interest expense	711,666	443,186
Total Expenses	<u>16,657,576</u>	<u>15,338,431</u>
Increase in net assets	434,990	584,405
Net Assets - Beginning of Year	<u>4,272,515</u>	<u>3,688,110</u>
Net Assets - End of Year	<u>\$ 4,707,505</u>	<u>\$ 4,272,515</u>

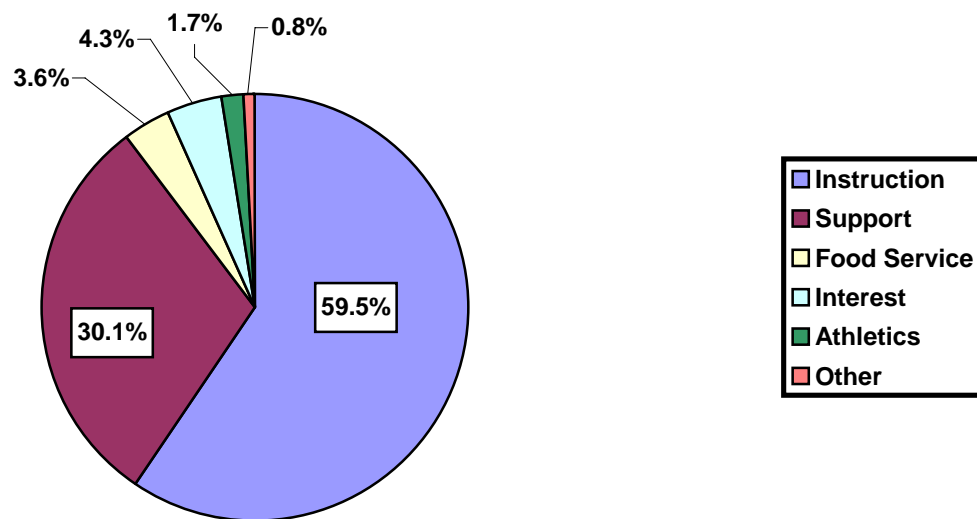


GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

Revenues by Source-All Funds



Expenses by Category-All Funds





GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

Financial Analysis of the District as a Whole

The District's financial position is the product of many factors. Growth during the year in grants, categorical funding and student count were significant contributors to revenue increases.

The District's total revenues increased by 6.8% to \$17.1 million. Unrestricted State Aid accounted for 63.35% of the revenues, while property taxes amounted to 13.65% of the revenues. Another 21% came from state and federal aid for specific programs and the remainder from miscellaneous sources.

The total cost of all programs and services rose 7.9% to \$16.7 million. The District's expenses are predominantly related to staff salaries and benefits which amount to 79.8% of the total. Health insurance costs increased by 9.0% and retirement costs paid to the State of Michigan increased by 15.0%. The other significant contributors to higher costs were salary (including step) increases, staff additions and supply needs for added classrooms due to increased student counts. Utility costs also continue to rise due to increased costs from the vendors, not necessarily increased usage.

Revenues surpassed expenses by \$434,990 on the Statement of Activities due mostly to budgeted line items not being spent and increase in categoricals and grants.

The recent good health of the District's finances can be attributed mostly to student count growth due to changes in neighborhood demographics. This demographic factor also contributes to an increase in free lunch counts, which help the District qualify for greater categorical assistance for at-risk students at all levels.

- Budgets for 2005-06 were based on no change in student fall count from the prior year which created a 25/75 blend of 1,642.50 full-time equivalent students for budget purposes. Actual blended count for the year was 1,658.17, which brought an additional \$81,593 in revenue over original budgeted amounts.
- Categoricals and other grants were budgeted at prior year amounts but most increased slightly from the previous year. The District staff worked very hard to identify as many free lunch qualifiers as possible which resulted in increases in some categoricals. Of particular note in this regard was an increase in Act 18 County Special Education Millage of \$89,039 and increase in Title funds of \$79,682.
- The District received State and Federal Title monies to help with the education of its increasing number of ESL students totalling \$106,046.

Collaboration with the surrounding districts continued to occur to help reduce expenditures in many areas. Utilization of reimbursement programs for schools was also at an all time high which reduced costs in many areas.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

- The six school districts in the southwest region of Kent County continued to work on ways to combine services where possible. All six districts joined the effort to transport technical center students together and to work on combined trips where possible in other areas. There are also collaborative efforts working to reduce costs on bus maintenance, storage and fuel related costs.
- The District increased its utilization of the Universal Service Fund to get rebates on services related to voice and data communication. This now includes telephone service, cellular phone service and internet connectivity.
- The administration will work with other districts to continue this effort for 2006-2007. It is also the intent of the District to improve on the use of the Universal Service Fund program with hopes to expand into the area of equipment rebates for data infrastructure.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Godfrey-Lee Public School's funds are described as follows:

Major Funds

General Fund

The General Fund is the primary operating fund. The General Fund had total revenues of \$14,946,101, total expenditures of \$14,403,907, total other financing sources of \$71,061, and total other financing uses of \$213,249. It ended the fiscal year with a fund balance of \$3,440,639, up from \$3,040,633 as of June 30, 2005 for an increase of \$400,006. This was primarily due to increases in student counts, categorical funding and grants.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

Capital Projects Fund

The District operates one major Capital Projects Fund, the 2005 Construction Fund, which had total revenues of \$19,832, total other financing sources of \$3,325,000 and total expenditures of \$1,455,146 resulting in a \$1,889,686 fund balance, to be used in the subsequent year for capital outlay.

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, the Food Service and Athletic Funds. Total revenues and other financing sources (inter-fund transfers) of the Special Revenue Funds were \$840,392, with total expenditures of \$805,184. The ending fund balances were \$221,130 for Food Service and \$98 for Athletics.

Debt Service Funds

The District operates three Debt Service Funds. Total revenues were \$1,238,510 with total expenditures of \$1,187,027. The ending fund balance in the Debt Service Funds was \$244,182.

Capital Projects Fund

The District operates one nonmajor Capital Project Fund, the Building and Site Sinking Fund which had total revenues of \$251,253 and total expenditures of \$321,636 resulting in a \$70,582 fund balance. This was due to planned expenditures on District facilities and classroom needs to accommodate increased numbers of students and program improvements.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget three times. These budget amendments fall into two categories:

- Changes made in the fall to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year and other grant related revenue changes.
- Expenditure changes due to updated staffing from the June budget estimate, classroom expenditure needs, technology upgrades and others.

Although the District's final budget for the General Fund anticipated that revenues would exceed expenditures by \$21,536, the actual results for the year show a \$400,006 surplus.

- Actual revenues were \$45,657 more than expected due to a combination of grant funds being carried over to next year and revenue received late in the year that was not budgeted.
- Actual expenditures were \$261,752 less than expected mainly due to unspent line items in specific budgets.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

Capital Asset and Debt Administration

Capital Assets

By the end of 2006, the District had \$21,585,361 invested in a broad range of capital assets, including school buildings, athletic facilities, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.)

The District's fiscal year 2006-2007 budget projects spending another \$200,000 for capital projects principally in the areas of:

- Infrastructure repair and renovation
- Purchase and renovation of building(s)

At June 30, 2006, the District's investment in capital assets (net of accumulated depreciation), was \$17,042,120. Capital asset purchases totaled \$1,630,869 for the fiscal year with accumulated depreciation increasing \$489,991, leaving a net increase in the book value of capital assets of \$1,140,762.

Land	\$ 618,754
Construction in progress	1,179,512
Land improvements	814,101
Buildings and additions	14,022,915
Furniture and equipment	186,694
Vehicles	103,245
Assets under capital leases	116,899
	<hr/>
Total Capital Assets	<u><u>\$ 17,042,120</u></u>

Long-Term Debt

At year end, the District had \$18.8 million in general obligation bonds and other long-term debt outstanding.

- The District continued to pay down its debt from the 1997 and 2003 bond issues and capital lease agreements.
- The District did not have to borrow from the State School Bond Loan Program to supplement local tax levies for bond debt service payments this year.
- The District issued \$3,325,000 of Building and Site bonds in February, 2006, whose proceeds are being used for capital improvements in the District.

The District's bond rating for General Obligation, Unlimited Tax debt is "Aaa/Aa2". The District's other obligations include staff related retirement incentives, capital leases payable and school bond loan fund. There is more detailed information about long-term liabilities in the Notes to Basic Financial Statements.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District's proximity between Grand Rapids and Wyoming makes it a totally market driven district which must have the breadth of program and updated infrastructure to compete in this age of choice in schools.
- A three year agreement with bargaining units was approved in August 2006 calling for 1.75%-1.85% annual increases plus step costs. It also provides fully paid health insurance utilizing MESSA Choices II PPO as the standard plan with the option to contribute to the cost of MESSA SuperCare I. The intent of this was to provide stability during uncertain financial times allowing the District to concentrate on improved academics.
- The No Child Left Behind Legislation and its effect on districts with large minority populations will impact the ability to show adequate yearly progress and contribute to increased budgetary stress.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Godfrey-Lee Public Schools, 963 Joosten SW, Wyoming, MI, 49509. Contact by e-mail: rclaxton@godfrey-lee.k12.mi.us.

BASIC FINANCIAL STATEMENTS

GODFREY-LEE PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 4,517,539
Taxes receivable (Note C)	34,591
Accounts receivable	22,152
Due from other governmental units (Note C)	2,429,620
Accrued interest receivable	4,890
Inventory (Note A)	7,581
Prepaid expenses	792,290
Total Current Assets	<u>7,808,663</u>
Noncurrent Assets	
Capital assets (Note E)	21,585,361
Less accumulated depreciation	(4,543,241)
Total Noncurrent Assets	<u>17,042,120</u>
Total Assets	<u>24,850,783</u>
Liabilities	
Current Liabilities	
Accounts payable	254,631
Due to other governmental units	267,754
Accrued interest payable	127,387
Salaries payable	642,661
Deferred revenue	14,293
Current portion of long term obligations	778,786
Total Current Liabilities	<u>2,085,512</u>
Noncurrent Liabilities (Notes A, F)	
General obligation bonds payable	16,540,000
Durant non-plaintiff bonds payable	184,603
State school bond loan payable	1,895,572
Capital leases payable	101,219
Early retirement incentive	26,480
Accumulated sick leave	88,678
Less current portion of noncurrent liabilities	(778,786)
Total Noncurrent Liabilities	<u>18,057,766</u>
Total Liabilities	<u>20,143,278</u>
Net Assets	
Invested in capital assets, net of related debt	(886,984)
Restricted for:	
Debt service	116,795
Capital projects	1,960,268
Unrestricted	3,517,426
Total Net Assets	<u><u>\$ 4,707,505</u></u>

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 9,911,858	\$ 9,025	\$ 2,848,610	\$ (7,054,223)
Supporting services	5,013,503	-	166,119	(4,847,384)
Community services	64,041	13,704	-	(50,337)
Food service	605,802	100,950	533,848	28,996
Athletics	288,650	19,040	-	(269,610)
Other	62,056	-	-	(62,056)
Interest expense	711,666	-	-	(711,666)
Total Governmental Activities	\$ 16,657,576	\$ 142,719	\$ 3,548,577	(12,966,280)
General Revenues				
Taxes:				
				908,268
				1,177,069
				248,218
				10,827,567
				154,811
				1,168
				84,169
Total General Revenues				13,401,270
Change in Net Assets				434,990
Net Assets - Beginning of Year				4,272,515
Net Assets - End of Year				\$ 4,707,505

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2006

	General	2005 Construction	Nonmajor	Total
Assets				
Cash equivalents, deposits and investments (Note B)	\$ 1,940,537	\$ 2,041,367	\$ 535,635	\$ 4,517,539
Receivables:				
Taxes (Note C)	20,576	-	14,015	34,591
Accounts	22,152	-	-	22,152
Due from other governmental units (Note C)	2,414,438	-	15,182	2,429,620
Accrued interest receivable	4,890	-	-	4,890
Inventory (Note A)	-	-	7,581	7,581
Total Assets	<u>\$ 4,402,593</u>	<u>\$ 2,041,367</u>	<u>\$ 572,413</u>	<u>\$ 7,016,373</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 16,670	\$ 151,681	\$ 22,406	\$ 190,757
Due to other governmental units	267,754	-	-	267,754
Salaries payable	642,661	-	-	642,661
Deferred revenue	34,869	-	14,015	48,884
Total Liabilities	<u>961,954</u>	<u>151,681</u>	<u>36,421</u>	<u>1,150,056</u>
Fund Balances				
Reserved for:				
Debt service	-	-	244,182	244,182
Capital outlay	-	1,889,686	70,582	1,960,268
Unreserved:				
Undesignated, reported in:				
General fund	3,440,639	-	-	3,440,639
Special revenue funds	-	-	221,228	221,228
Total Fund Balances	<u>3,440,639</u>	<u>1,889,686</u>	<u>535,992</u>	<u>5,866,317</u>
Total Liabilities and Fund Balances	<u>\$ 4,402,593</u>	<u>\$ 2,041,367</u>	<u>\$ 572,413</u>	<u>\$ 7,016,373</u>

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2006

Total governmental fund balances		\$ 5,866,317
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$21,585,361 and accumulated depreciation is \$4,543,241.		
		17,042,120
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.		
		792,290
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$(16,540,000)	
Durant non-plaintiff bonds	(184,603)	
State school bond loan	(1,895,572)	
Capital leases	(101,219)	
Early retirement incentive	(26,480)	
Accumulated sick leave	(88,678)	(18,836,552)
Accrued interest is not included as a liability in governmental funds.		(127,387)
Accounts payable (long-term) are not included as a liability in governmental funds.		
		(63,874)
Deferred revenue recognized as revenue in the full accrual statements:		
Property taxes		34,591
Total net assets - governmental activities		<u><u>\$ 4,707,505</u></u>

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2006

	General	2005 Construction	Nonmajor	Total
Revenues				
Local sources	\$ 1,100,561	\$ 19,832	\$ 1,595,336	\$ 2,715,729
State sources	11,894,899	-	64,295	11,959,194
Federal sources	820,494	-	469,553	1,290,047
Interdistrict sources	1,130,147	-	-	1,130,147
Total Revenues	14,946,101	19,832	2,129,184	17,095,117
Expenditures				
Current:				
Instruction	9,115,643	-	-	9,115,643
Supporting services	4,343,972	-	-	4,343,972
Food service	-	-	585,263	585,263
Athletics	-	-	219,921	219,921
Community services	45,066	-	-	45,066
Capital outlay	-	1,455,146	308,844	1,763,990
Debt service:				
Principal repayment	-	-	575,133	575,133
Capital lease payments	-	-	12,792	12,792
Interest and fiscal charges	-	-	611,114	611,114
Bond issuance costs	-	-	780	780
Interdistrict	899,226	-	-	899,226
Total Expenditures	14,403,907	1,455,146	2,313,847	18,172,900
Excess (Deficiency) of Revenues Over Expenditures	542,194	(1,435,314)	(184,663)	(1,077,783)
Other Financing Sources (Uses)				
Bonds issued	-	3,325,000	-	3,325,000
Capital lease proceeds	71,061	-	55,400	126,461
Transfers in	-	-	200,971	200,971
Transfers out	(200,971)	-	-	(200,971)
Other	(12,278)	-	-	(12,278)
Total Other Financing Sources (Uses)	(142,188)	3,325,000	256,371	3,439,183
Net Change in Fund Balances	400,006	1,889,686	71,708	2,361,400
Fund Balances, Beginning of Year	3,040,633	-	464,284	3,504,917
Fund Balances, End of Year	\$ 3,440,639	\$ 1,889,686	\$ 535,992	\$ 5,866,317

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2006

Net change in fund balances - total governmental funds **\$ 2,361,400**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

	Capital outlays	\$1,630,869	
	Depreciation expense	<u>(489,991)</u>	1,140,878

Undepreciated cost of retired asset (116)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. 809

Net bond refunding costs are amortized over the life of the new bond issue in the Statement of Activities. (48,998)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (3,525,809)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:

Repayment of general obligation bonds	560,000		
Repayment of Durant non-plaintiff bonds	15,133		
Repayment of capital leases	<u>25,242</u>		600,375

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. (26,204)

Accounts payable (long-term) are not included as an expenditure in governmental funds. (63,874)

In the Statement of Net Assets, early retirement incentive and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned (\$15,567) exceeded the amounts used/paid (\$12,096). (3,471)

Total changes in net assets - governmental activities **\$ 434,990**

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 1,006,868	\$ 1,090,466	\$ 1,100,561	\$ 10,095
State sources	11,770,977	11,881,701	11,894,899	13,198
Federal sources	806,248	862,318	820,494	(41,824)
Interdistrict sources	975,471	1,065,959	1,130,147	64,188
Total Revenues	14,559,564	14,900,444	14,946,101	45,657
Expenditures				
Current:				
Instruction:				
Basic programs	6,980,970	6,909,134	6,876,181	32,953
Added needs	2,106,406	2,151,876	2,087,018	64,858
Adult education services	128,787	162,580	152,444	10,136
Supporting services:				
Pupil services	1,018,730	544,726	536,124	8,602
Instructional staff services	589,142	710,592	671,755	38,837
General administrative services	387,903	389,436	376,360	13,076
School administrative services	694,524	655,524	650,839	4,685
Business services	325,763	301,839	295,272	6,567
Operation and maintenance services	1,299,758	1,397,372	1,367,921	29,451
Pupil transportation services	111,286	139,032	131,640	7,392
Central services	279,894	326,250	314,061	12,189
Community services	59,410	61,024	45,066	15,958
Interdistrict	531,000	916,274	899,226	17,048
Total Expenditures	14,513,573	14,665,659	14,403,907	261,752
Excess of Revenues Over Expenditures	45,991	234,785	542,194	307,409
Other Financing Sources (Uses)				
Capital lease proceeds	-	-	71,061	71,061
Transfers out	(199,471)	(200,971)	(200,971)	-
Other	-	(12,278)	(12,278)	-
Total Other Financing Sources (Uses)	(199,471)	(213,249)	(142,188)	71,061
Net Change in Fund Balances	(153,480)	21,536	400,006	378,470
Fund Balances, July 1	3,040,633	3,040,633	3,040,633	-
Fund Balances, June 30	\$ 2,887,153	\$ 3,062,169	\$ 3,440,639	\$ 378,470

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Fiduciary Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2006

Assets

Cash equivalents and deposits (Note B)	<u>\$ 25,681</u>
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Liabilities

Due to student groups	<u>\$ 25,681</u>
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See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Note A – Summary of Significant Accounting Policies

Godfrey-Lee Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 1,670 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Godfrey-Lee Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's only major fund. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

For capital project activities funded with sinking fund millage, the District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Godfrey-Lee Public Schools has also adopted budgets for its Special Revenue Funds. A school district's

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

General Appropriations Resolution (the “budget”) must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

Godfrey-Lee Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and improvements	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Early Retirement Incentive/Accumulated Sick Leave

Early retirement incentive and accumulated sick leave at June 30, 2006 have been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick days. At June 30, 2006, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive and accumulated sick leave amounted to \$26,480 and \$88,678, respectively.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2006 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Assets:

Primary government

\$4,517,539

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Cash equivalents, deposits and investments of Fiduciary Funds:

Primary government:

Agency	\$ 25,681
	<u>\$4,543,220</u>

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. National City Bank
2. Mercantile Bank
3. Fifth Third Bank
4. Chase Bank
5. Lake Michigan Credit Union

Cash equivalents consist of bank and credit union public funds checking, savings and money market accounts. Deposits consist of certificates of deposit.

June 30, 2006 balances are detailed as follows:

Cash equivalents	\$ 522,451
Deposits	<u>777,411</u>
	<u>\$ 1,299,862</u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation and the National Credit Union Association. At year end, the carrying amount of the District's cash equivalents and deposits was \$1,299,862 and the bank balance was \$1,383,590. Of the bank balance, \$260,625 was covered by federal depository and national credit union association insurance and \$1,122,965 was uninsured.

Investments

As of June 30, 2006 the District had the following investments:

	<u>Carrying Amount</u>	<u>Bank Balances</u>
Bank Investment Pool/Sweep Accounts:		
National City Bank	\$ 1,133,793	\$ 1,403,000
Fifth Third Bank	68,198	68,198
Michigan Liquid Asset Fund Plus	<u>2,041,367</u>	<u>2,148,668</u>
	<u>\$ 3,243,358</u>	<u>\$ 3,619,866</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy minimizes custodial credit risk by limiting investments to the types of securities allowed by law.

Credit Risk

The District's investments in the bank investment pools were unrated.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Interest Rate Risk

The District's investment policy states "The purpose of the investments is to maximize the returns on the District's excess cash balances consistent with safety of those monies and with the desired liquidity of the investments." The District's investment policy also states that maturities do not exceed two (2) years from the date of purchase and that investment contracts are awarded using the District's bidding procedure.

Concentration of Credit Risk

The District's investment policy addresses concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by allowing up to one hundred percent of the available reserves to be invested in U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest.

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2005 ad valorem State Education Taxes generated within the Godfrey Lee Public School District, and paid to the State of Michigan, totaled \$734,703.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2005 and September, 2005. The 2005-06 "Foundation Allowance" for Godfrey-Lee Public Schools was \$7,041 for 1,658 "Full Time Equivalent" students, generating \$11,893,219 in state aid payments to the District of which \$2,155,713 was paid to the District in July and August, 2006 and included in the General Fund as "Due From Other Governmental Units" at June 30, 2006.

Property taxes for the District are levied July 1 by the City of Wyoming. The taxes are then collected by the City and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Tax Year	General	Debt Service	Building And Site	Total
2005	\$ 8,023	\$ 4,167	\$ 878	\$ 13,068
2004	5,987	3,297	621	9,905
2003	6,566	4,377	685	11,628
	<u>\$ 20,576</u>	<u>\$ 11,831</u>	<u>\$ 2,184</u>	<u>\$ 34,591</u>

Taxes receivable are offset by deferred revenue in the General, Debt Service and Building and Site Funds of the District. Taxes uncollected after three years from the date of levy are written off the books of the District.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Godfrey-Lee Public Schools electors had previously approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2005.

The District levied 9.47 mills in 2005 for debt service purposes and 1.9976 mills for the building and site (sinking) fund, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Receivables/Payables and Transfers

The General Fund transferred \$200,971 to the Athletics Special Revenue Fund, as budgeted by the Board of Education, to support the District's athletic programs.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balances July 1, 2005	Additions	Deductions	Balances June 30, 2006
Capital assets not depreciated:				
Land	\$ 618,754	\$ —	\$ —	\$ 618,754
Construction in progress	—	1,179,512	—	1,179,512
Capital assets being depreciated:				
Land improvements	1,433,897	—	—	1,433,897
Buildings and additions	16,680,785	152,741	1,157	16,832,369
Furniture and equipment	938,479	111,919	—	1,050,398
Vehicles	208,491	60,236	—	268,727
Assets under capital leases	75,243	126,461	—	201,704
Totals at historical cost	<u>19,955,649</u>	<u>\$1,630,869</u>	<u>\$ 1,157</u>	<u>21,585,361</u>

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

	Balances July 1, 2005	Additions	Deductions	Balances June 30, 2006
Less accumulated depreciation for:				
Land improvements	\$ 548,877	\$ 70,919	\$ —	\$ 619,796
Buildings and additions	2,458,194	352,301	1,041	2,809,454
Furniture and equipment	831,649	32,055	—	863,704
Vehicles	151,983	13,499	—	165,482
Assets under capital leases	63,588	21,217	—	84,805
	<u>4,054,291</u>	<u>\$ 489,991</u>	<u>\$ 1,041</u>	<u>4,543,241</u>
Total accumulated depreciation	<u>4,054,291</u>	<u>\$ 489,991</u>	<u>\$ 1,041</u>	<u>4,543,241</u>
Net Capital Assets	<u>\$ 15,901,358</u>			<u>\$ 17,042,120</u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 340,495
Supporting services	41,253
Community services	18,975
Food service	20,539
Athletics	68,729
	<u>\$ 489,991</u>

Note F – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2006 are summarized as follows:

	Bond Issues	State School Bond Loan	Capital Leases	Early Retirement/ Incentive Accumulated Sick Leave	Total
Amounts Available For Retirement Of Long-Term Debt					
Debt Service Funds	\$ 244,182	\$ —	\$ —	\$ —	\$ 244,182
Amounts To Be Provided For Retirement Of Long-Term Debt					
State of Michigan	184,603	—	—	—	184,603
General Fund	—	—	58,611	115,158	173,769
Debt Service Funds	16,295,818	1,895,572	—	—	18,191,390
Capital Projects Funds	—	—	42,608	—	42,608
Total Amounts Available And To Be Provided	<u>\$ 16,724,603</u>	<u>\$ 1,895,572</u>	<u>\$ 101,219</u>	<u>\$ 115,158</u>	<u>\$18,836,552</u>

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Changes in long-term debt for the year ended June 30, 2006 are summarized as follows:

	Debt Outstanding July 1, 2005	Debt Added	Debt Retired	Debt Outstanding June 30, 2006
General obligation bonds:				
June 12, 1997	\$ 775,000	\$ —	\$ 375,000	\$ 400,000
March 26, 2003	1,495,000	—	185,000	1,310,000
March 10, 2005	11,505,000	—	—	11,505,000
February 1, 2006	—	3,325,000	—	3,325,000
Durant non-plaintiff bonds:				
November 13, 1998	199,736	—	15,133	184,603
State school bond loan	1,821,224	74,348	—	1,895,572
Capital leases	—	126,461	25,242	101,219
Early retirement incentive	22,240	4,240	—	26,480
Accumulated sick leave	89,447	11,327	12,096	88,678
	<u>\$ 15,907,647</u>	<u>\$ 3,541,376</u>	<u>\$ 612,471</u>	<u>\$ 18,836,552</u>

Long-term bonds, notes and capital leases outstanding at June 30, 2006 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$14,375M Building and Site June 12, 1997:				
Principal maturities of \$400M	May 1, 2007	6.50	\$ 400,000	\$ 400,000
\$1,860M Building and Site March 26, 2003:				
Principal maturities from \$175M to \$195M	May 1, 2013	2.00 – 3.35	1,310,000	195,000
\$11,505M General Obligation Refunding March 10, 2005:				
Principal maturities from \$60M to \$590M	May 1, 2027	3.00 – 5.00	11,505,000	—
\$3,325M Building and Site February 1, 2006:				
Principal maturities from \$65M to \$215M	May 1, 2030	3.50 - 4.25	3,325,000	65,000
Durant Non-plaintiff Bonds				
\$312,641 School Improvement November 13, 1998:				
Principal maturities from \$15M to \$75M	May 15, 2013	4.761353	184,603	15,850
Capital leases				
\$55,400 Equipment August 4, 2005	Aug. 12, 2009	7.75	42,608	9,491
\$49,863 Equipment August 4, 2005	July 4, 2009	9.00	40,170	11,667
\$12,442 Equipment August 5, 2005	July 4, 2009	7.80	10,281	2,868
\$8,756 Equipment January 6, 2006	Dec. 6, 2009	9.70	8,160	1,910
			<u>\$ 16,825,822</u>	<u>\$ 761,786</u>

The District is required to obtain loans from the Michigan School Bond Loan Fund (the “Fund”) for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year \$74,348 of accrued interest was added to the District’s liability to the Fund. At June 30, 2006, the District owed the Fund a total of \$1,895,572.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

The annual requirements to pay principal and interest on long-term bonds, note and capital leases outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2007	\$ 761,786	\$ 729,213	\$ 1,490,999
2008	785,093	658,968	1,444,061
2009	818,694	632,581	1,451,275
2010	880,196	629,128	1,509,324
2011	829,095	574,037	1,403,132
2012	845,003	544,062	1,389,065
2013	865,955	511,860	1,377,815
2014	690,000	478,649	1,168,649
2015	705,000	445,726	1,150,726
2016	705,000	412,275	1,117,275
2017	710,000	384,076	1,094,076
2018	715,000	355,675	1,070,675
2019	730,000	326,198	1,056,198
2020	740,000	296,260	1,036,260
2021	745,000	265,185	1,010,185
2022	765,000	233,173	998,173
2023	770,000	200,211	970,211
2024	770,000	166,463	936,463
2025	780,000	132,714	912,714
2026	780,000	98,564	878,564
2027	790,000	63,199	853,199
2028	215,000	27,412	242,412
2029	215,000	18,275	233,275
2030	215,000	9,138	224,138
	\$16,825,822	\$ 8,193,042	\$25,018,864

On April 13, 2005, the District issued \$11,505,000 in general obligation bonds to advance refund \$10,975,000 of outstanding 1997 general obligation bonds. The net proceeds were deposited with an escrow agent and used to purchase United States government securities. Under the terms of the agreement these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. Any excess funds will be returned to the District upon final payment of principal and interest (Scheduled to be May 1, 2007). This defeasance procedure allows the District to remove

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

the related assets and liabilities from its financial statements, which it has done. The assets, now held by the escrow agent to be used for the remaining principal and interest due of \$11,540,687 on the defeased debt at June 30, 2006 are detailed in the following schedule:

	<u>Cost</u>	<u>Market Value</u>	<u>Par Value</u>
U.S. Government Securities	<u>\$ 11,118,506</u>	<u>\$ 11,118,506</u>	<u>\$ 11,118,506</u>

Note G – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2006 was \$8,123,049. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 14.87% for the fiscal year ending September 30, 2005 and 16.34% for the fiscal year beginning October 1, 2005. The District's contributions to the plan for the fiscal years ended June 30, 2006, 2005 and 2004 were \$1,311,727, \$1,137,379 and \$1,011,798, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2004 (the latest reporting date available expressed as \$ in millions) for the MPERS as a whole, determined through an actuarial valuation performed as of that date, was \$46,317. The MPERS' net assets available for benefits on that date were \$38,784 leaving an unfunded pension benefit obligation of \$7,533. Ten year historical trend information showing the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2005 Annual Report of the MPERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

The total actuarial accrued liability (expressed as \$ in millions) increased by \$1,548 from September 30, 2003 to September 30, 2004. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for members of the Basic Retirement Plan and 3 years for members of the MIP Retirement Plan.

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

Note H – Risk Management and Benefits

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$175,000 and \$650,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$42,190 in premiums to the Trust for the year ended June 30, 2006.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$300,000 of any workers' compensation or employers' liability loss out of a \$800,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2006, there were no material pending claims against the District. The District paid \$49,391 in premiums to the Fund for the year ended June 30, 2006.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 1,940,537	\$ 1,604,918
Receivables:		
Taxes	20,576	19,851
Accounts	22,152	190,349
Due from other governmental units	2,414,438	2,174,972
Accrued interest receivable	<u>4,890</u>	<u>1,254</u>
Total Assets	<u><u>\$ 4,402,593</u></u>	<u><u>\$ 3,991,344</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 16,670	\$ 116,213
Due to other governmental units	267,754	209,717
Salaries payable	642,661	601,055
Deferred revenue	<u>34,869</u>	<u>23,726</u>
Total Liabilities	<u>961,954</u>	<u>950,711</u>
Fund Balances		
Unreserved:		
Designated for supplies, materials and technology	-	160,000
Undesignated	<u>3,440,639</u>	<u>2,880,633</u>
Total Fund Balances	<u>3,440,639</u>	<u>3,040,633</u>
Total Liabilities and Fund Balances	<u><u>\$ 4,402,593</u></u>	<u><u>\$ 3,991,344</u></u>

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2006 and 2005

	2006	2005
Local sources:		
Property taxes:		
Current property taxes	\$ 897,619	\$ 865,748
Delinquent property taxes	656	7,084
Other property taxes	-	3,578
Interest on delinquent taxes	9,268	4,734
	<u>907,543</u>	<u>881,144</u>
Interest earnings:		
Interest on deposits and investments	84,836	31,947
Other local revenue:		
Tuition	9,025	7,655
Driver education fees	-	9,890
Child care fees	13,704	-
Rental of school facilities	2,447	2,660
Donations	48,300	39,306
Sale of school property	1,284	160,000
Miscellaneous	33,422	5,492
	<u>108,182</u>	<u>225,003</u>
Total local sources	1,100,561	1,138,094
State sources:		
State aid	11,847,967	11,110,026
School improvement	1,958	1,958
Special education - itinerants	44,974	-
Total state sources	<u>11,894,899</u>	<u>11,111,984</u>
Federal sources:		
Title I	302,100	229,627
Title IIA	81,715	82,967
Title IID	6,810	4,926
Title III	78,875	69,514
Title V	6,123	8,907
Adult basic education	32,000	40,000
I.D.E.A. program	292,764	290,121
Homeland security	7,989	6,296
State plan self review	712	-
Drug free schools	4,616	6,409
Medicaid - school based	5,590	1,698
Literacy grant	1,200	-
Total federal sources	<u>820,494</u>	<u>740,465</u>
Interdistrict sources:		
Special education - county	868,628	779,589
Special education - transportation	121,145	159,542
Durant settlement reimbursements	6,471	13,518
Medicaid fee for service	133,903	22,425
Career preparation	-	18,813
Other grants	-	719
Total interdistrict sources	<u>1,130,147</u>	<u>994,606</u>
Total Revenues	<u><u>\$ 14,946,101</u></u>	<u><u>\$ 13,985,149</u></u>

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries:		
Teachers	\$ 1,787,665	\$ 1,678,790
Teaching assistants	9,193	13,176
Substitutes	51,590	50,337
Severance pay	-	3,516
Employee benefits:		
Employee insurance	405,341	349,930
Employee physicals	986	1,666
Retirement	297,320	254,784
Social Security	142,187	134,395
Workers' compensation insurance	6,474	5,889
Unemployment compensation	407	3,455
Cash in lieu of benefits	10,185	10,980
Local travel	254	439
Workshops and conferences	4,267	4,082
Printing and binding	353	1,500
Equipment repair/rental	11,222	12,514
Other purchased services	12,056	10,458
Teaching supplies	76,078	60,891
Textbooks	22,992	35,310
Miscellaneous supplies	150	150
New equipment and furniture - depreciable	39,526	-
New equipment and furniture - non depreciable	16,499	5,218
Dues and fees	392	-
Miscellaneous	759	1,214
	2,895,896	2,638,694
Middle school:		
Salaries:		
Teachers	953,387	953,013
Teaching assistants	3,660	-
Substitutes	32,780	23,529
Severance pay	-	440
Employee benefits:		
Employee insurance	199,425	194,191
Retirement	158,802	143,288
Social Security	76,152	75,074
Workers' compensation insurance	3,436	3,315
Unemployment compensation	-	26
Cash in lieu of benefits	5,624	4,380
Local travel	230	136
Workshops and conferences	2,791	2,762
Equipment repair/rental	1,869	3,642
Other purchased services	3,447	2,698
Teaching supplies	24,646	22,360
Textbooks	7,541	31,569
New equipment and furniture - depreciable	20,999	-
New equipment and furniture - non depreciable	4,206	827
Miscellaneous	1,105	1,982
	1,500,100	1,463,232

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
High school:		
Salaries:		
Teachers	\$ 1,205,216	\$ 1,284,287
Teaching assistants	57,242	46,845
Substitutes	57,077	53,362
Severance pay	722	5,115
Employee benefits:		
Employee insurance	332,156	345,603
Retirement	212,489	201,858
Social Security	101,504	106,512
Workers' compensation insurance	6,764	6,260
Unemployment compensation	11,521	9,217
Cash in lieu of benefits	6,577	3,600
Local travel	541	649
Workshops and conferences	5,419	4,714
Pupil transportation	8,000	5,400
Telephone	-	2,446
Printing and binding	3,868	2,980
Equipment repair/rental	11,764	12,924
Other purchased services	6,658	10,088
Teaching supplies	90,419	69,562
Textbooks	31,584	31,124
Miscellaneous supplies	1,819	1,215
New equipment and furniture - depreciable	12,442	-
New equipment and furniture - non depreciable	18,151	5,588
Dues and fees	509	725
Miscellaneous	736	864
	2,183,178	2,210,938
Preschool:		
Salaries:		
Teachers	149,626	147,491
Teaching assistants	43,238	43,101
Substitutes	3,240	3,745
Employee benefits:		
Employee insurance	40,662	36,698
Retirement	31,702	28,894
Social Security	15,002	15,005
Workers' compensation insurance	667	648
Cash in lieu of benefits	-	115
Local travel	176	-
Workshops and conferences	829	1,288
Other purchased services	3,184	3,179
Teaching supplies	1,297	1,290
Miscellaneous supplies	6,634	6,245
New equipment and furniture - non depreciable	-	508
Miscellaneous	750	789
	297,007	288,996
Total basic programs	6,876,181	6,601,860

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Added needs:		
Special education:		
Salaries:		
Teachers	\$ 614,608	\$ 551,674
Teaching assistants	101,941	100,901
Substitutes	17,485	14,968
Employee benefits:		
Employee insurance	131,212	125,454
Medical reimbursement	14,677	13,316
Retirement	118,501	100,772
Social Security	56,615	48,887
Workers' compensation insurance	2,561	2,251
Cash in lieu of benefits	6,000	3,000
Contracted services	6,304	3,801
Workshops and conferences	299	2,235
Other purchased services	12,600	1,575
Teaching supplies	7,223	9,079
New equipment and furniture - non depreciable	3,120	3,633
	1,093,146	981,546
Compensatory education:		
Salaries:		
Teachers	436,082	371,366
Instructional consulting	-	4,502
Teaching assistants	216,733	203,309
Substitutes	6,056	21,983
Employee benefits:		
Employee insurance	120,013	98,396
Medical reimbursement	13,875	13,543
Retirement	105,049	86,441
Social Security	50,556	46,125
Workers' compensation insurance	2,477	2,127
Unemployment compensation	3,172	-
Cash in lieu of benefits	2,000	2,193
Workshops and conferences	496	337
Other purchased services	1,492	1,950
Teaching supplies	15,071	9,631
Textbooks	2,728	2,499
New equipment and furniture - non depreciable	4,632	3,936
Miscellaneous	672	666
	981,104	869,004
Vocational education:		
Teachers salaries	854	1,700
Employee benefits:		
Retirement	139	248
Social Security	65	130
Workers' compensation insurance	-	6
Local travel	61	354
Workshops and conferences	285	873
Teaching supplies	4,145	15,105

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Vocational education: (Continued)		
Textbooks	\$ 4,331	\$ -
New equipment and furniture - non depreciable	2,888	1,178
	<u>12,768</u>	<u>19,594</u>
Total added needs	2,087,018	1,870,144
Adult education services:		
Basic:		
Salaries:		
Teachers	76,933	86,783
Teaching assistants	12,849	9,689
Substitutes	1,837	1,798
Severance pay	1,881	1,095
Employee benefits:		
Employee insurance	23,480	10,685
Retirement	14,253	14,554
Social Security	7,153	7,820
Workers' compensation insurance	843	742
Unemployment compensation	-	173
Cash in lieu of benefits	-	2,850
Instructional services	495	65
Local travel	-	30
Workshops and conferences	322	199
Pupil transportation	760	896
Equipment repair/rental	515	1,032
Other purchased services	2,321	3,039
Teaching supplies	1,123	1,139
Textbooks	-	165
Miscellaneous supplies	797	705
New equipment and furniture - depreciable	4,378	-
New equipment and furniture - non depreciable	1,229	2,613
Dues and fees	1,051	850
Miscellaneous	224	-
Total adult education services	<u>152,444</u>	<u>146,922</u>
Supporting services:		
Pupil services:		
Attendance services:		
Coordinator salary	37,700	37,700
Employee benefits:		
Employee insurance	8,750	8,125
Board paid annuities	3,582	3,581
Retirement	6,579	5,959
Social Security	2,959	2,941
Workers' compensation insurance	148	141
	<u>59,718</u>	<u>58,447</u>
Guidance services:		
Salaries:		
Counselors	150,688	149,301
Clerical	40,297	25,270

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Guidance services: (Continued)		
Employee benefits:		
Employee insurance	\$ 51,942	\$ 46,137
Retirement	30,804	25,513
Social Security	14,611	13,355
Workers' compensation insurance	610	555
Testing supplies	1,049	808
New equipment and furniture - non depreciable	1,231	917
	<u>291,232</u>	<u>261,856</u>
Occupational therapist services:		
Purchased services	30,888	-
Miscellaneous supplies	208	169
	<u>31,096</u>	<u>169</u>
Psychological services:		
Workshops and conferences	-	20
Miscellaneous supplies	907	1,891
	<u>907</u>	<u>1,911</u>
Speech pathology services:		
Local travel	202	104
Testing supplies	710	1,027
	<u>912</u>	<u>1,131</u>
Social worker services:		
Local travel	151	122
Workshops and conferences	-	40
Supplies and materials	406	318
	<u>557</u>	<u>480</u>
Other pupil services:		
Salaries:		
Extra curricular	76,725	59,131
Student services	32,384	23,960
Other temporary	1,800	1,770
Employee benefits:		
Retirement	17,994	12,516
Social Security	8,427	6,429
Workers' compensation insurance	1,140	1,169
Pupil services	13,232	13,854
	<u>151,702</u>	<u>118,829</u>
Total pupil services	536,124	442,823
Instructional staff services:		
Improvement of instruction:		
Salaries:		
Director	42,710	40,187
Clerical	15,653	15,072
Employee benefits:		
Employee insurance	13,331	10,790
Board paid annuities	4,057	3,818
Retirement	9,986	8,569
Social Security	4,542	4,275
Workers' compensation insurance	211	190
Contracted services	3,403	2,615

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Improvement of instruction: (Continued)		
Pupil services	\$ -	\$ 3,650
Other professional and technical	4,112	2,891
Local travel	500	250
Workshops and conferences	8,007	5,110
Printing and binding	-	1,328
Equipment rental	6,651	-
Other purchased services	4,056	3,850
Testing supplies	17,041	34,955
Office supplies	187	-
Miscellaneous supplies	39,900	-
New equipment and furniture - non depreciable	7,588	3,194
Miscellaneous	420	167
	182,355	140,911
Educational media services:		
Salaries:		
Librarians	43,014	38,396
Teaching assistants	29,309	31,980
Employee benefits:		
Employee insurance	12,310	12,402
Medical reimbursement	3,088	2,836
Retirement	11,656	10,367
Social Security	5,532	5,384
Workers' compensation insurance	258	226
Library books	8,760	8,520
Periodicals	797	798
Dues and fees	-	2,669
	114,724	113,578
Educational television:		
Equipment repair and maintenance	-	60
Miscellaneous supplies	240	-
New equipment and furniture - non depreciable	997	-
Dues and fees	2,145	1,925
	3,382	1,985
Supervision and direction of instruction:		
Salaries:		
Directors	168,107	100,012
Clerical	67,897	67,253
Other special payments	6,839	3,818
Employee benefits:		
Employee insurance	45,964	38,752
Board paid annuities	-	2,003
Retirement	39,629	25,192
Social Security	18,307	13,018
Workers' compensation insurance	762	518
Cash in lieu of benefits	2,500	2,308
Local travel	863	1,065
Workshops and conferences	651	759
Postage	1,774	1,445
Equipment repair and maintenance	160	158
Office supplies	1,553	2,264
Supplies	491	458

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Supervision and direction of instruction: (Continued)		
New equipment and furniture - non depreciable	\$ 1,500	\$ 6,596
Miscellaneous	158	50
	<u>357,155</u>	<u>265,669</u>
Shared time services:		
Supervisor salary	11,917	-
Employee benefits:		
Social Security	950	-
Workers' compensation insurance	44	-
Other professional services	300	-
Local travel	500	-
Office supplies	281	-
Miscellaneous supplies	147	-
	<u>14,139</u>	<u>-</u>
Total instructional staff services	671,755	522,143
General administrative services:		
Board of education:		
Salaries:		
Board members	5,280	5,460
Clerical	375	450
Employee benefits:		
Retirement	60	-
Social security	431	-
Workers' compensation insurance	1	-
Professional services	8,117	17,365
Legal services	12,261	9,863
Audit services	19,325	18,750
Workshops and conferences	790	1,403
Advertising	5,158	2,763
Printing and binding	3,792	4,666
Other repair and maintenance	400	565
Other rentals	2,647	2,647
Election workers	2,000	-
Election supplies	1,979	-
Dues and fees	3,152	3,058
Sponsored events	-	6,678
Miscellaneous	6,525	2,329
	<u>72,293</u>	<u>75,997</u>
Executive administration:		
Salaries:		
Superintendent	106,943	101,987
Clerical	36,256	36,283
Severance pay	-	31,449
Employee benefits:		
Employee insurance	26,697	20,202
Board paid annuities	7,175	8,324
Retirement	23,968	13,297
Social Security	10,336	10,279
Workers' compensation insurance	465	577
Unemployment compensation	1,140	658
Cash in lieu of benefits	-	750

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Executive administration: (Continued)		
Local travel	\$ 2,226	\$ 1,499
Workshops and conferences	2,424	1,635
Mailing and postage	2,905	2,590
Printing and binding	805	238
Newsletter	15,534	14,393
Equipment repair and maintenance	959	874
Equipment rental	4,440	4,039
Police liaison program	56,232	48,256
Office supplies	1,920	1,585
New equipment and furniture - non depreciable	1,030	700
Dues and fees	1,702	1,825
Miscellaneous	910	452
	304,067	301,892
Total general administrative services	376,360	377,889
School administrative services:		
Office of the principal:		
Salaries:		
Principals	249,587	260,418
Clerical	123,697	124,215
Office assistants	26,808	28,461
Severance pay	-	2,825
Employee benefits:		
Employee insurance	97,092	90,900
Tuition reimbursement	3,781	10,178
Board paid annuities	18,806	13,363
Medical reimbursement	-	2,848
Retirement	66,292	60,967
Social Security	31,729	32,406
Workers' compensation insurance	1,303	1,315
Cash in lieu of benefits	1,500	1,500
Purchased services	4,122	2,250
Local travel	3,500	3,817
Workshops and conferences	1,399	860
Postage	9,682	8,371
Equipment repair and maintenance	434	228
Office supplies	7,051	7,612
New equipment and furniture - non depreciable	2,157	2,972
Dues and fees	1,640	1,707
Miscellaneous	259	496
	650,839	657,709
Total school administrative services		
Business services:		
Fiscal services:		
Salaries:		
Assistant superintendent	40,411	-
Business manager	51,447	86,690
Accounting	71,444	82,513
Severance pay	3,705	-

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Fiscal services: (Continued)		
Employee benefits:		
Employee insurance	\$ 42,158	\$ 36,514
Board paid annuities	10,897	15,283
Retirement	27,708	26,657
Social Security	12,858	13,030
Workers' compensation insurance	427	532
Purchased services	641	-
Local travel	1,721	1,486
Workshops and conferences	1,221	1,003
Equipment repair and maintenance	5,753	5,333
Office supplies	4,721	4,491
New equipment and furniture - non depreciable	901	1,946
Dues and fees	263	343
	<u>276,276</u>	<u>275,821</u>
Other business services:		
Workers' compensation insurance	-	138
Insurance and bonds	13,464	10,648
Tax refunds	2,595	6,669
Miscellaneous	2,937	3,073
	<u>18,996</u>	<u>20,528</u>
Total business services	295,272	296,349
Operation and maintenance services:		
Operation and maintenance:		
Salaries:		
Supervisor	48,599	47,717
Custodial	335,201	366,774
Maintenance	65,913	55,895
Overtime	46,541	57,851
Severance pay	-	2,102
Employee benefits:		
Employee insurance	130,470	121,471
Board paid annuities	4,617	4,533
Retirement	78,990	76,408
Social Security	38,278	40,491
Workers' compensation insurance	15,908	17,344
Unemployment compensation	1,258	18
Local travel	79	533
Workshops and conferences	70	55
Telephone	34,608	24,083
Water and sewer	16,523	14,732
Waste and trash disposal	32,170	32,900
Other utility services	1,200	5,165
Property and liability insurance	32,782	39,696
Land/building repair and maintenance	59,586	62,503
Equipment repair and maintenance	5,314	3,906
Other repair and maintenance	47,574	61,238
Rentals	12,506	12,181
Other purchased services	3,943	4,275
Heating	141,380	102,602
Electricity	158,273	148,294

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Operation and maintenance: (Continued)		
Custodial supplies	\$ 38,861	\$ 41,302
Office supplies	227	215
Uniforms	225	1,964
New equipment and furniture - non depreciable	6,486	4,459
Dues and fees	1,035	1,235
Miscellaneous	1,315	871
	<u>1,359,932</u>	<u>1,352,813</u>
Homeland security grant:		
Overtime	-	2,705
Employee benefits:		
Retirement	-	374
Social Security	-	207
Workers' compensation insurance	-	13
Local travel	-	49
Printing	-	2,225
Other purchased services	-	1,000
Miscellaneous supplies	-	206
New equipment and furniture - non depreciable	7,989	-
	<u>7,989</u>	<u>6,779</u>
Total operation and maintenance services	1,367,921	1,359,592
Pupil transportation services:		
Pupil transportation:		
Drivers salaries	46,142	43,993
Employee benefits:		
Employee insurance	13,119	17,041
Retirement	7,354	6,593
Social Security	3,530	3,454
Workers' compensation insurance	2,437	2,720
Driver physicals	390	163
Local travel	202	394
Telephone	-	47
Vehicle repair and maintenance	7,744	10,274
Other repair and maintenance	40,003	16,049
Equipment rental	1,433	3,097
Testing	265	170
Uniforms	-	424
Gasoline, oil and grease	7,919	6,011
Tires, tubes and batteries	388	1,416
Miscellaneous	714	467
Total pupil transportation services	<u>131,640</u>	<u>112,313</u>
Central services:		
Technology services:		
Coordinators salaries	86,897	39,535
Other technical	15,397	32,060
Employee benefits:		
Employee insurance	23,052	12,158
Tuition reimbursement	3,450	-
Retirement	13,699	7,032

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2006 and 2005

	2006	2005
Technology services: (Continued)		
Employee benefits: (Continued)		
Social Security	\$ 7,861	\$ 5,478
Workers' compensation insurance	206	151
Contracted services	78,203	86,651
Local travel	803	383
Workshops and conferences	471	543
Telephone	-	336
Computer software	1,397	4,500
Internet services	10,789	7,327
Equipment repair and maintenance	-	395
Supplies	23,246	16,298
New equipment and furniture - depreciable	-	37,374
New equipment and furniture - non depreciable	6,906	67,848
Replacement equipment and furniture - non depreciable	29,999	-
Dues and fees	30	41
Miscellaneous	150	150
	<u>302,556</u>	<u>318,260</u>
Other central services:		
Tuition reimbursement	11,505	10,000
Total central services	<u>314,061</u>	<u>328,260</u>
Community services:		
Community activities:		
Miscellaneous supplies	588	303
Custody and care of children:		
Salaries:		
Teaching assistants	23,314	-
Substitutes	3,928	-
Employee benefits:		
Retirement	4,377	-
Social Security	2,084	-
Workers' compensation insurance	1,205	-
Workshops and conferences	45	-
Mailing and postage	373	-
Printing and binding	189	-
Office supplies	194	-
Miscellaneous supplies	5,874	-
Dues and fees	45	-
	<u>41,628</u>	<u>-</u>
Other community services:		
Driver's education refunds	2,850	-
Total community services	<u>45,066</u>	<u>303</u>
Interdistrict:		
Special education tuition	249,587	231,736
Special education transportation	215,112	182,025
Special education itinerant services	434,527	440,003
Other	-	3,901
Total interdistrict	<u>899,226</u>	<u>857,665</u>
Total Expenditures	<u><u>\$ 14,403,907</u></u>	<u><u>\$ 13,573,972</u></u>

NONMAJOR FUNDS

GODFREY-LEE PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2006

	Special Revenue	
	Food Service	Athletics
Assets		
Cash equivalents, deposits and investments	\$ 213,544	\$ 237
Taxes receivable	-	-
Due from other governmental units	15,182	-
Inventory	7,581	-
Total Assets	<u>\$ 236,307</u>	<u>\$ 237</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 15,177	\$ 139
Deferred revenue	-	-
Total Liabilities	<u>15,177</u>	<u>139</u>
Fund Balances		
Reserved for debt service	-	-
Reserved for capital outlay	-	-
Unreserved:		
Undesignated	221,130	98
Total Fund Balances	<u>221,130</u>	<u>98</u>
Total Liabilities and Fund Balances	<u>\$ 236,307</u>	<u>\$ 237</u>

Debt Service					Capital Projects Building and Site	Total
1997	2003	2005-A	2005-B	Durant		
\$ 80,986	\$ 43,837	\$ 111,683	\$ 7,676	\$ -	\$ 77,672	\$ 535,635
7,696	2,147	1,988	-	-	2,184	14,015
-	-	-	-	-	-	15,182
-	-	-	-	-	-	7,581
<u>\$ 88,682</u>	<u>\$ 45,984</u>	<u>\$ 113,671</u>	<u>\$ 7,676</u>	<u>\$ -</u>	<u>\$ 79,856</u>	<u>\$ 572,413</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,090	\$ 22,406
7,696	2,147	1,988	-	-	2,184	14,015
<u>7,696</u>	<u>2,147</u>	<u>1,988</u>	<u>-</u>	<u>-</u>	<u>9,274</u>	<u>36,421</u>
80,986	43,837	111,683	7,676	-	-	244,182
-	-	-	-	-	70,582	70,582
-	-	-	-	-	-	221,228
<u>80,986</u>	<u>43,837</u>	<u>111,683</u>	<u>7,676</u>	<u>-</u>	<u>70,582</u>	<u>535,992</u>
<u>\$ 88,682</u>	<u>\$ 45,984</u>	<u>\$ 113,671</u>	<u>\$ 7,676</u>	<u>\$ -</u>	<u>\$ 79,856</u>	<u>\$ 572,413</u>

GODFREY-LEE PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2006

	Special Revenue	
	Food Service	Athletics
Revenues		
Local sources:		
Property taxes	\$ -	\$ -
Interest earnings	7,538	-
Sales and admissions	100,950	19,040
Total local sources	108,488	19,040
State sources	42,340	-
Federal sources	469,553	-
Total Revenues	620,381	19,040
Expenditures		
Current:		
Food service	585,263	-
Athletics	-	219,921
Capital outlay	-	-
Debt service:		
Principal repayment	-	-
Interest and fiscal charges	-	-
Capital lease payments	-	-
Bond issuance costs	-	-
Total Expenditures	585,263	219,921
Excess (Deficiency) of Revenues Over Expenditures	35,118	(200,881)
Other Financing Sources		
Capital lease proceeds	-	-
Transfers in	-	200,971
Total Other Financing Sources	-	200,971
Net Change in Fund Balances	35,118	90
Fund Balances, July 1	186,012	8
Fund Balances, June 30	\$ 221,130	\$ 98

Debt Service					Capital Projects Building and Site	Total
1997	2003	2005-A	2005-B	Durant		
\$ 411,481	\$ 201,353	\$ 564,101	\$ -	\$ -	\$ 248,268	\$ 1,425,203
11,245	5,961	14,513	7,901	-	2,985	50,143
-	-	-	-	-	-	119,990
422,726	207,314	578,614	7,901	-	251,253	1,595,336
-	-	-	-	21,955	-	64,295
-	-	-	-	-	-	469,553
422,726	207,314	578,614	7,901	21,955	251,253	2,129,184
-	-	-	-	-	-	585,263
-	-	-	-	-	-	219,921
-	-	-	-	-	308,844	308,844
375,000	185,000	-	-	15,133	-	575,133
51,502	41,429	511,136	225	6,822	-	611,114
-	-	-	-	-	12,792	12,792
780	-	-	-	-	-	780
427,282	226,429	511,136	225	21,955	321,636	2,313,847
(4,556)	(19,115)	67,478	7,676	-	(70,383)	(184,663)
-	-	-	-	-	55,400	55,400
-	-	-	-	-	-	200,971
-	-	-	-	-	55,400	256,371
(4,556)	(19,115)	67,478	7,676	-	(14,983)	71,708
85,542	62,952	44,205	-	-	85,565	464,284
\$ 80,986	\$ 43,837	\$ 111,683	\$ 7,676	\$ -	\$ 70,582	\$ 535,992

GODFREY-LEE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006

	2006		Variance -
	Budget	Actual	Positive (Negative)
Revenues			
Local sources:			
Interest earnings	\$ 7,000	\$ 7,538	\$ 538
Sales and admissions	107,423	100,950	(6,473)
Total local sources	114,423	108,488	(5,935)
State sources	39,731	42,340	2,609
Federal sources	433,487	469,553	36,066
Total Revenues	587,641	620,381	32,740
Expenditures			
Current:			
Food service	592,384	585,263	7,121
Net Change in Fund Balances	(4,743)	35,118	39,861
Fund Balances, July 1	186,012	186,012	-
Fund Balances, June 30	\$ 181,269	\$ 221,130	\$ 39,861

GODFREY-LEE PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006

	2006		Variance -
	Budget	Actual	Positive (Negative)
Revenues			
Local sources:			
Sales and admissions	\$ 18,000	\$ 19,040	\$ 1,040
Expenditures			
Current:			
Athletics	218,006	219,921	(1,915)
Excess (Deficiency) of Revenues Over Expenditures	(200,006)	(200,881)	(875)
Other Financing Sources			
Transfers in	200,971	200,971	-
Net Change in Fund Balances	965	90	(875)
Fund Balances, July 1	8	8	-
Fund Balances, June 30	\$ 973	\$ 98	\$ (875)

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

GODFREY-LEE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 213,544	\$ 196,553
Due from other governmental units	15,182	3,757
Inventory	<u>7,581</u>	<u>5,313</u>
Total Assets	<u><u>\$ 236,307</u></u>	<u><u>\$ 205,623</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ 15,177</u>	<u>\$ 19,611</u>
Fund Balances		
Unreserved:		
Undesignated	<u>221,130</u>	<u>186,012</u>
Total Liabilities and Fund Balances	<u><u>\$ 236,307</u></u>	<u><u>\$ 205,623</u></u>

GODFREY-LEE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	2006	2005
Revenues		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 40,264	\$ 46,802
Adult lunches	5,297	5,384
Milk	510	167
Ala carte	50,626	55,093
Banquets	3,892	4,326
Other	361	144
	<u>100,950</u>	<u>111,916</u>
Interest earnings:		
Interest on investments	7,538	3,713
Total local sources	<u>108,488</u>	<u>115,629</u>
State sources	42,340	34,573
Federal sources	<u>469,553</u>	<u>423,423</u>
Total Revenues	<u>620,381</u>	<u>573,625</u>
Expenditures		
Current:		
Food service:		
Food service salaries	11,000	30,834
Employee benefits:		
Retirement	1,795	4,585
Social Security	841	2,359
Workers' compensation insurance	142	-
Management fees	233,770	217,526
Audit fees	675	1,250
Telephone	-	33
Printing	805	1,191
Equipment repair and maintenance	10,071	3,980
Vehicle repair and maintenance	705	154
Food	227,579	204,161
Milk	38,947	38,227
Nonedible supplies	26,962	24,828
Gasoline, oil and grease	246	115
Other supplies and materials	736	8,648
New equipment and furniture - non depreciable	3,502	10,098
New vehicles	-	25,669
Miscellaneous	27,487	13,954
	<u>585,263</u>	<u>587,612</u>
Total Expenditures	<u>585,263</u>	<u>587,612</u>
Net Change in Fund Balances	35,118	(13,987)
Fund Balances, July 1	<u>186,012</u>	<u>199,999</u>
Fund Balances, June 30	<u><u>\$ 221,130</u></u>	<u><u>\$ 186,012</u></u>

GODFREY-LEE PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 237</u>	<u>\$ 8</u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ 139</u>	<u>\$ -</u>
Fund Balances		
Unreserved:		
Undesignated	<u>\$ 98</u>	<u>\$ 8</u>
 Total Liabilities and Fund Balances	<u><u>\$ 237</u></u>	<u><u>\$ 8</u></u>

GODFREY-LEE PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	2006	2005
Revenues		
Local sources:		
Sales and admissions:		
Athletic admissions	\$ 19,040	\$ 17,114
Fees, sales and donations	-	815
Total Revenues	<u>19,040</u>	<u>17,929</u>
Expenditures		
Current:		
Athletics:		
Salaries:		
Director	26,853	20,300
Coaches	93,606	79,228
Drivers	10,973	8,096
Custodial	1,495	1,692
Employee benefits:		
Employee insurance	4,368	4,375
Board paid annuities	1,421	1,929
Retirement	20,110	16,529
Social Security	10,296	8,477
Workers' compensation insurance	901	784
Unemployment compensation	838	1,187
Purchased services	2,000	-
Officials	14,824	12,068
Trainer	3,500	3,000
Local travel	349	-
Workshops and conferences	423	3,403
Telephone	14	329
Student insurance	-	2,025
Contracted labor	5,319	4,963
Office supplies	853	905
New furniture and equipment	16,548	17,858
Dues and fees	5,118	2,055
Miscellaneous	112	1,116
Total Expenditures	<u>219,921</u>	<u>190,319</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(200,881)</u>	<u>(172,390)</u>
Other Financing Sources		
Transfers in	<u>200,971</u>	<u>171,711</u>
Net Change in Fund Balances	90	(679)
Fund Balances, July 1	<u>8</u>	<u>687</u>
Fund Balances, June 30	<u><u>\$ 98</u></u>	<u><u>\$ 8</u></u>

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

GODFREY-LEE PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2006

	<u>1997</u>	<u>2003</u>	<u>2005-A</u>	<u>2005-B</u>
Assets				
Cash equivalents, deposits and investments	\$ 80,986	\$ 43,837	\$ 111,683	\$ 7,676
Taxes receivable	<u>7,696</u>	<u>2,147</u>	<u>1,988</u>	<u>-</u>
Total Assets	<u><u>\$ 88,682</u></u>	<u><u>\$ 45,984</u></u>	<u><u>\$ 113,671</u></u>	<u><u>\$ 7,676</u></u>
 Liabilities and Fund Balances				
Liabilities				
Deferred revenue	<u>\$ 7,696</u>	<u>\$ 2,147</u>	<u>\$ 1,988</u>	<u>\$ -</u>
Fund Balances				
Reserved for debt service	<u>80,986</u>	<u>43,837</u>	<u>111,683</u>	<u>7,676</u>
Total Liabilities and Fund Balances	<u><u>\$ 88,682</u></u>	<u><u>\$ 45,984</u></u>	<u><u>\$ 113,671</u></u>	<u><u>\$ 7,676</u></u>

Durant	Totals	
	2006	2005
\$ -	\$ 244,182	\$ 192,699
-	11,831	11,697
<hr/>		<hr/>
\$ -	\$ 256,013	\$ 204,396
<hr/>		<hr/>

\$ -	\$ 11,831	\$ 11,697
<hr/>		<hr/>
-	244,182	192,699
<hr/>		<hr/>
\$ -	\$ 256,013	\$ 204,396
<hr/>		<hr/>

GODFREY-LEE PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2006

	1997	2003	2005-A	2005-B
Revenues				
Local sources:				
Property taxes:				
Current property taxes	\$ 403,848	\$ 197,685	\$ 554,039	\$ -
Industrial facilities taxes	2,677	1,310	3,673	-
Delinquent property taxes	282	74	-	-
Interest on delinquent taxes	3,040	1,484	4,147	-
Other taxes	1,634	800	2,242	-
	411,481	201,353	564,101	-
Interest earnings:				
Interest on deposits	11,245	5,961	14,513	7,901
State sources:				
State school aid	-	-	-	-
Total Revenues	422,726	207,314	578,614	7,901
Expenditures				
Debt service:				
Principal repayment	375,000	185,000	-	-
Interest and fiscal charges:				
Interest expense	50,375	40,952	510,654	-
Paying agent fees	300	250	482	225
Tax refunds	827	227	-	-
Bond issuance costs	780	-	-	-
Underwriter's discount	-	-	-	-
Total Expenditures	427,282	226,429	511,136	225
Excess (Deficiency) of Revenues Over Expenditures	(4,556)	(19,115)	67,478	7,676
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	-	-
Bond premium	-	-	-	-
Payments to escrow agent	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(4,556)	(19,115)	67,478	7,676
Fund Balances, July 1	85,542	62,952	44,205	-
Fund Balances, June 30	<u>\$ 80,986</u>	<u>\$ 43,837</u>	<u>\$ 111,683</u>	<u>\$ 7,676</u>

Durant	Totals	
	2006	2005
\$ -	\$ 1,155,572	\$ 1,158,012
-	7,660	7,243
-	356	3,551
-	8,671	7,102
-	4,676	4,698
	<u>1,176,935</u>	<u>1,180,606</u>
-	39,620	54,181
21,955	<u>21,955</u>	<u>-</u>
21,955	<u>1,238,510</u>	<u>1,234,787</u>
15,133	575,133	530,000
	601,981	400,522
	1,257	550
6,822	7,876	875
-	780	101,857
-	-	63,278
21,955	<u>1,187,027</u>	<u>1,097,082</u>
-	<u>51,483</u>	<u>137,705</u>
-	-	11,505,000
-	-	22,264
-	-	<u>(11,562,973)</u>
-	-	<u>(35,709)</u>
-	51,483	101,996
-	<u>192,699</u>	<u>90,703</u>
\$ -	<u>\$ 244,182</u>	<u>\$ 192,699</u>

CAPITAL PROJECTS FUNDS

Building and Site — to account for property tax revenues and interest earnings used to finance District improvement.

2005 Construction — to account for bond proceeds and interest earnings used for District improvements and additions.

GODFREY-LEE PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	\$ 77,672	\$ 103,667
Taxes receivable	<u>2,184</u>	<u>2,234</u>
Total Assets	<u><u>\$ 79,856</u></u>	<u><u>\$ 105,901</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 7,090	\$ 18,102
Deferred revenue	<u>2,184</u>	<u>2,234</u>
Total Liabilities	<u>9,274</u>	<u>20,336</u>
Fund Balances		
Reserved for capital outlay	<u>70,582</u>	<u>85,565</u>
Total Liabilities and Fund Balances	<u><u>\$ 79,856</u></u>	<u><u>\$ 105,901</u></u>

GODFREY-LEE PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	2006	2005
Revenues		
Local sources:		
Property taxes:		
Current property taxes	\$ 243,847	\$ 233,946
Industrial facilities taxes	1,616	1,463
Delinquent property taxes	117	715
Other property taxes	986	949
Interest on delinquent taxes	1,702	1,435
Total property taxes	248,268	238,508
Interest earnings:		
Interest on deposits and investments	2,985	2,187
Total Revenues	251,253	240,695
Expenditures		
Capital outlay:		
Buildings and additions	308,013	170,395
Tax refunds	205	166
Miscellaneous	626	-
	308,844	170,561
Debt service:		
Principal repayment	-	20,000
Capital lease payments	12,792	-
Interest and fiscal charges:		
Interest expense	-	1,000
Paying agent fees	-	701
	12,792	21,701
Total Expenditures	321,636	192,262
Excess (Deficiency) of Revenues Over Expenditures	(70,383)	48,433
Other Financing Sources		
Capital lease proceeds	55,400	-
Net Change in Fund Balances	(14,983)	48,433
Fund Balances, July 1	85,565	37,132
Fund Balances, June 30	\$ 70,582	\$ 85,565

GODFREY-LEE PUBLIC SCHOOLS
2005 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 2,041,367</u>	<u>\$ -</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 151,681	\$ -
Fund Balances		
Reserved for capital outlay	<u>1,889,686</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 2,041,367</u>	<u>\$ -</u>

GODFREY-LEE PUBLIC SCHOOLS
2005 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 19,832	\$ -
Expenditures		
Capital outlay:		
Buildings and additions	1,223,948	-
New equipment and furniture	91,792	-
School bus purchases	60,236	-
Bond issuance costs	37,965	-
Underwriter's discount	35,482	-
Miscellaneous	5,723	-
Total Expenditures	<u>1,455,146</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,435,314)</u>	<u>-</u>
Other Financing Sources		
Bonds issued	<u>3,325,000</u>	<u>-</u>
Net Change in Fund Balances	1,889,686	-
Fund Balances, July 1	<u>-</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 1,889,686</u></u>	<u><u>\$ -</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

GODFREY-LEE PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2006

	<u>Balances</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2006</u>
Assets				
Cash equivalents, deposits and investments	<u>\$ 26,286</u>	<u>\$ 94,819</u>	<u>\$ 95,424</u>	<u>\$ 25,681</u>
Liabilities				
Due to student groups	<u>\$ 26,286</u>	<u>\$ 94,819</u>	<u>\$ 95,424</u>	<u>\$ 25,681</u>

OTHER INFORMATION

GODFREY-LEE PUBLIC SCHOOLS
Summary of 2005 Taxes Levied and Collected
For the year ended June 30, 2006

	<u>City of Wyoming</u>
Taxable Valuations	
Operating	\$ 50,293,535
Debt Service/Building and Site	122,450,516
Rates (Mills)	
General Fund	18.0000
1997 Debt Service Fund	3.3100
2003 Debt Service Fund	1.6200
2005 Debt Service Fund	4.5400
Building and Site Fund	1.9976
	<u>29.4676</u>
Taxes Levied 2005 Rolls	
General Fund	\$ 905,282
1997 Debt Service Fund	405,246
2003 Debt Service Fund	198,368
2005 Debt Service Fund	555,982
Building and Site Fund	244,605
	<u>2,309,483</u>
Taxes Uncollected 2005 Rolls	
General Fund	8,023
1997 Debt Service Fund	1,456
2003 Debt Service Fund	713
2005 Debt Service Fund	1,988
Building and Site Fund	878
	<u>13,058</u>
Taxes Collected 2005 Rolls	
General Fund	897,259
1997 Debt Service Fund	403,790
2003 Debt Service Fund	197,655
2005 Debt Service Fund	553,994
Building and Site Fund	243,727
	<u>2,296,425</u>
Delinquent Taxes Collected	
General Fund	656
1997 Debt Service Fund	282
2003 Debt Service Fund	74
Building and Site Fund	117
	<u>1,129</u>
Total Taxes Collected	
General Fund	897,915
1997 Debt Service Fund	404,072
2003 Debt Service Fund	197,729
2005 Debt Service Fund	553,994
Building and Site Fund	243,844
	<u>\$ 2,297,554</u>

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
Summary of 2005 Taxes Levied and Collected
For the year ended June 30, 2006

	City of Wyoming
Taxes Uncollected – June 30, 2006	
General Fund:	
2005	\$ 8,023
2004	5,987
2003	6,566
	<hr/> 20,576
1997 Debt Service Fund:	
2005	\$ 1,456
2004	2,615
2003	3,625
	<hr/> 7,696
2003 Debt Service Fund:	
2005	713
2004	682
2003	752
	<hr/> 2,147
2003 Debt Service Fund:	
2005	1,988
Building and Site Fund:	
2005	878
2004	621
2003	685
	<hr/> 2,184
Total Taxes Uncollected	<hr/> \$ 34,591

**GODFREY-LEE
PUBLIC SCHOOLS
Kent County, Michigan**

Auditor's Report On Compliance
For Federal Grant Programs

For the year ended June 30, 2006

TABLE OF CONTENTS

GODFREY-LEE PUBLIC SCHOOLS

For the year ended June 30, 2006

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	1
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	3
Schedule of Expenditures of Federal Awards.....	6
Schedule of Findings and Questioned Costs.....	12
Notes to Schedule of Expenditures of Federal Awards.....	14

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

August 25, 2006

The Board of Education
Godfrey-Lee Public Schools
Wyoming, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Godfrey-Lee Public Schools as of and for the year ended June 30, 2006, which collectively comprise Godfrey-Lee Public School's basic financial statements and have issued our report thereon dated August 25, 2006. We conducted our audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Godfrey-Lee Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we considered to be material weaknesses.

The Board of Education
Godfrey-Lee Public Schools
August 25, 2006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Godfrey-Lee Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Barten, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

August 25, 2006

The Board of Education
Godfrey-Lee Public Schools
Wyoming, Michigan

Compliance

We have audited the compliance of Godfrey-Lee Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Godfrey-Lee Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Godfrey-Lee Public School's management. Our responsibility is to express an opinion of Godfrey-Lee Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Godfrey-Lee Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Godfrey-Lee Public School's compliance with those requirements.

In our opinion, Godfrey-Lee Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

The Board of Education
Godfrey-Lee Public Schools
August 25, 2006

Internal Control Over Compliance

The management of Godfrey-Lee Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Godfrey-Lee Public School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Godfrey-Lee Public Schools as of and for the year ended June 30, 2006, and have issued our report thereon dated August 25, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Godfrey-Lee Public School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Austin, P.C.

Certified Public Accountants

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GODFREY-LEE PUBLIC SCHOOLS

For the year ended June 30, 2006

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Education		
Passed through Michigan Department of Education (MDE):		
Title I:	84.010	
0515300405		\$248,958
0515300506		54,206
0615300506		289,949
Total Title I		593,113
Title IIA:	84.367	
0505200405		82,967
0605200506		83,749
Total Title IIA		166,716
Title IID:	84.318	
0542900506		1,401
0642900506		5,409
Total Title IID		6,810
Title III:	84.365	
0505800405		73,951
0605800506		78,875
Total Title III		152,826
Title V:	84.298	
0602500506		6,123
Adult Education:	84.002	
061130610346		32,000
State Plan Self Review:	84.027A	
060440		4,130
Total Passed Through MDE		961,718

(Continued)

Accrued (Deferred) Revenue July 1, 2005	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
\$9,496	\$194,753	\$54,206 247,894	\$9,496 43,762 223,355	\$10,444 24,539
9,496	194,753	302,100	276,613	34,983
175	82,967	81,715	175 62,953	18,762
175	82,967	81,715	63,128	18,762
	4,926	1,401 5,409	1,401 5,409	
—	4,926	6,810	6,810	—
4,905	73,951	78,875	4,905 78,875	
4,905	73,951	78,875	83,780	—
		6,123	6,123	
	30,000	32,000	32,000	
		712	712	
14,576	386,597	508,335	469,166	53,745

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GODFREY-LEE PUBLIC SCHOOLS

For the year ended June 30, 2006

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
Passed through Kent Intermediate School District (KISD):		
Safe and Drug Free Schools and Communities Act:	84.186	
052860-0506 2004-05 Program		\$325
062860-0506 2005-06 Program		4,301
		<hr/>
Total Safe Drug Free Schools and Communities Act		4,626
		<hr/>
Special Education Cluster:		
I.D.E.A. - Flow Through:	84.027	
Flow Through - 050450405		277,369
Flow Through - 060450506		279,331
		<hr/>
Total I.D.E.A. - Flow Through		556,700
		<hr/>
I.D.E.A. - Transition:	84.027A	
Transition 060490-TS		689
		<hr/>
I.D.E.A. - Preschool:	84.173	
Preschool - 0504600405		11,903
Preschool - 0604600506		12,744
		<hr/>
Total I.D.E.A. - Preschool		24,647
		<hr/>
Total Special Education Cluster		582,036
		<hr/>
Total Passed Through KISD		586,662
		<hr/>
Total U.S. Department of Education		1,548,380
		<hr/>
U.S. Department of Health and Human Services		
Passed through Kent Intermediate School District (KISD):		
School Based Medicaid	93.778	4,360
		<hr/>
Early Childhood Services	93.577	1,200
		<hr/>
Total U.S. Department of Health and Human Services		5,560
		<hr/>

(Continued)

Accrued (Deferred) Revenue July 1, 2005	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
	\$6,314	\$315 4,301	\$4,301	\$315
—	6,314	4,616	4,301	315
\$112,983	277,369	279,331	112,983 174,265	105,066
112,983	277,369	279,331	287,248	105,066
	524	689	689	
4,850	11,903	12,744	4,850 7,834	4,910
4,850	11,903	12,744	12,684	4,910
117,833	289,796	292,764	300,621	109,976
117,833	296,110	297,380	304,922	110,291
132,409	682,707	805,715	774,088	164,036
	1,698	4,360	4,360	
		1,200	1,200	
—	1,698	5,560	5,560	—

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**GODFREY-LEE PUBLIC SCHOOLS**

For the year ended June 30, 2006

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Homeland Security		
Passed through Michigan State Police: Homeland Security	97.004	<u>\$13,200</u>
Total U.S. Department of Homeland Security		<u>13,200</u>
U.S. Department of Agriculture Nutrition Cluster		
Passed Through Michigan Department of Education (MDE): National School Lunch Program:		
Lunches:		
Section 4 – Total Servings – 1950	10.555	40,015
Section 11 – Free and Reduced – 1960		<u>304,333</u>
Total Lunches		<u>344,348</u>
Breakfast:		
Total Servings – 1970	10.553	15,616
Free and Reduced – 1970		<u>80,563</u>
Total Breakfast		<u>96,179</u>
Special Milk Program	10.556	<u>1,551</u>
U.S.D.A. Commodities:		
Bonus Commodities	10.550	2,232
Entitlement Commodities		<u>25,243</u>
Total U.S.D.A. Commodities		<u>27,475</u>
Total U.S. Department of Agriculture (Passed Through MDE)		<u>469,553</u>
Total Federal Financial Assistance		<u><u>\$2,036,693</u></u>

- Notes: 1. This schedule was prepared using accounting policies consistent with those used in preparing the Basic Financial Statements.
2. The amounts reported on the R7120, Grant Section Auditors Report, reconcile with this schedule.
3. The amounts reported on the Recipient Entitlement Balance Sheet, or PAL Report, agree with this schedule for USDA donated food commodities.

Accrued (Deferred) Revenue July 1, 2005	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
	\$6,296	\$7,989	\$7,989	
—	6,296	7,989	7,989	—
	37,527	40,015	39,019	996
	278,264	304,333	296,798	7,535
—	315,791	344,348	335,817	8,531
	14,599	15,616	15,616	
	70,721	80,563	77,675	2,888
—	85,320	96,179	93,291	2,888
	1,386	1,551	1,551	
	2,238	2,232	2,232	
	18,688	25,243	25,243	
—	20,926	27,475	27,475	—
—	423,423	469,553	458,134	11,419
\$132,409	\$1,114,124	\$1,288,817	\$1,245,771	\$175,455

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GODFREY-LEE PUBLIC SCHOOLS

For the year ended June 30, 2006

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 Yes X No

Identification of programs audited:

I.D.E.A. Cluster	
84.027	Flow Through
84.027A	Transition
84.173	Preschool
84.367	Title II

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

GODFREY-LEE PUBLIC SCHOOLS

For the year ended June 30, 2006

Section II – Financial Statement Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GODFREY-LEE PUBLIC SCHOOLS

For the year ended June 30, 2006

Note A – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Title I	\$302,100	\$302,100	
Title IIA	81,715	81,715	
Title IID	6,810	6,810	
Title III	78,875	78,875	
Title V	6,123	6,123	
Adult Education	32,000	32,000	
State Plan Self Review	712	712	
Safe and Drug Free Schools and Communities Act	4,616	4,616	
I.D.E.A.	292,764	292,764	
School Based Medicaid	4,360	4,360	
Early Childhood Services	1,200	1,200	
Homeland Security	7,989	7,989	
Nutrition Cluster	469,553	469,553	
	\$1,288,817	\$1,288,817	—

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

August 25, 2006

The Board of Education
Godfrey-Lee Public Schools

The following comments pertain to our audit of the financial records of Godfrey-Lee Public Schools as of and for the year ended June 30, 2006. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Godfrey-Lee Public Schools:

Auditors Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Godfrey-Lee Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Godfrey-Lee Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Godfrey-Lee Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Godfrey-Lee Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Godfrey-Lee Public School's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Godfrey-Lee Public Schools are described in Note A to the financial statements.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing the audit of the financial statement of Godfrey-Lee Public Schools for the year ended June 30, 2006. We found the internal control structure and accounting system to be basically adequate and operating in the manner intended.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit no adjustments of a significant nature were made to the accounting records of the District:

Proposed Audit Adjustments

There were no material adjustments proposed during the audit not recorded by Godfrey-Lee Public Schools.

Suggestions And Recommendations

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of Godfrey-Lee Public Schools to the Business Manager and Accountant as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting.

Other Comments

The General Fund balance of the District increased by \$400,006 to \$3,440,639 at June 30, 2006. This balance represents 22.17 percent of the District's 2006-07 expenditure budget. Maintaining a fund balance of at least 20 percent of the ensuing year's expenditure budget is advisable for Godfrey-Lee Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 "Consideration of Fraud in a Financial Statement Audit" (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that Godfrey-Lee Public Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

Godfrey-Lee Public Schools
August 25, 2006
Page 4

This communication is intended solely for the information and use of the Godfrey-Lee Public Schools Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Godfrey-Lee Public Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

Hungerford, Aldrin, Nichols & Berton, P.C.

Certified Public Accountants

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